

## **Part II of the Preliminary Justification**

### **Highmark BCBSD, Inc. – Individual Market**

#### **Scope and Range:**

Highmark BCBSD, Inc. (Highmark DE) is requesting an average rate increase of 33.6% for the 2018 ACA-qualifying individual products with effective dates from January 1, 2018 to December 31, 2018.

The rate increase is mostly due to anticipated increases in utilization of care and provider contracting, as well as higher expected morbidity relative to 2017 pricing. In addition, the loss of the individual mandate and the Cost Share Reduction reimbursement contributes significantly to the increase. The change reflects the claim experience from the ACA enrolled population as well as the expected enrollment of consumers who were previously uninsured or covered under employer group health plans. There is also the loss of reinsurance dollars due to the expiration of the federal transitional reinsurance program.

#### **Historical Financial Experience:**

Highmark DE incurred a substantial underwriting loss in its Individual ACA programs in 2016. This loss is net of the expected risk adjustment and federal reinsurance programs.

#### **Change in Medical Service Costs:**

The projected average cost of medical care for the projected population is expected to increase due to higher morbidity relative to the assumptions used in the 2017 rate filing. The increase will emerge in utilization and average cost per service, and is spread across all types of services.

#### **Elimination of the Individual Mandate and CSR:**

A factor has been added to offset the expected repeal of the individual mandate and the loss of reimbursement for cost sharing subsidy reductions. In the event that these changes do not occur, Highmark DE anticipates lower rate increases averaging +20.8%.

#### **Change in Benefits:**

No additional benefits were added for coverage. Likewise, no benefits were removed. However, some cost sharing parameters were changed in order to maintain compliance with Federal AV requirements. Additionally, some out of pocket maximum parameters were changed to keep up with the rising cost of health care. These out of pocket maximum changes also aided in keeping the rate increase as low as possible.

#### **Administrative Costs and Anticipated Operating Results:**

Overall, administrative costs as a percentage of premium is 2.2% lower in 2018 than 2017. The anticipated operating results are not excessive or unreasonable. In accordance with regulations, the projected medical loss ratio is over 80%.